

Message Text

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ACTION ARA-14

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 5795

C O N F I D E N T I A L KINGSTON 3115

E.O. 11652: GDS

TAGS: EMIN, EFIN, EINV, JM

SUBJECT: BAUXITE: ALCOA'S PROBLEMS

REFERENCE: KINGSTON 2326

1. ALCOA'S LONG SMOLDERING ANNOYANCE WITH GOJ BROKE INTO PRINT LAST WEEK VIA A STORY IN THE DAILY GLEANER TO THE EFFECT THAT ALL BAUXITE/ALUMINA COMPANIES UNHAPPY WITH GOJ OVER A VARIETY OF ISSUES. STORY, CITING BAUXITE COMPANY SOURCES, ASSERTS LATTER THAS CHARGED GOJ WITH BAD FAITH, COMMENTS INDUSTRY IS BOGGED DOWN IN BUREAUCRATIC RED TAPE AND GOVERNMENT DOUBLE-TALK, AND DESCRIBES THE NEW "PARTNER-SHIP" BETWEEN JAMAICA AND THE COMPANIES AS "A FARCE". MINISTER OF MINES DUDLEY THOMPSON PROMPTLY RESPONDED WITH LETTER STATING THAT THE STORY HAD NO BASIS IN FACT AND THAT RELATIONS BETWEEN THE GOJ AND THE BAUXITE COMPANIES ARE CORDIAL.

2. THE FIRST STORY WAS INSPIRED BY PAUL CROUCH, ALCOA'S MANAGING DIRECTOR IN JAMAICA, WHO RECENTLY WROTE WHAT AMOUNTS TO AN OPEN LETTER TO THE MINISTRY OF MINES NOTING ABOVE PROBLEMS (ALTHOUGH IN MORE DIPLOMATIC TERMS) PLUS A NUMBER OF MORE SPECIFIC
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ISSUES. CROUCH HAS MADE NO SECRET OF HIS UNHAPPINESS WITH GOJ IN CONVERSATIONS WITH THIS EMBASSY, MANAGEMENT OF OTHER BAUXITE/ALUMINA COMPANIES, VARIOUS GOJ OFFICIALS, THE PRESS, AND THE PUBLIC IN GENERAL. HIS CONCERNS ARE PRIMARILY AS FOLLOWS:

A. ALCOA HAD ANTICIPATED THAT THE NEW PARTNERSHIP

AGREEMENT SIGNED IN 1976 WOULD RESULT IN A NEW COOPERATIVE RELATIONSHIP AND ATMOSPHERE WHILE IN FACT ALCOA HAS HAD TO CONTINUE TO DO BUSINESS AS USUAL, I.E., AN ADVERSARY RELATIONSHIP REMAINS IN EFFECT.

B. ALCOA REMAINS MIFFED THAT KAISER RECEIVED A BETTER DEAL ON THE BAUXITE LEVY.

C. ALCOA THOUGHT IT HAD AN AGREEMENT (AN ORAL COMMITMENT FROM VARIOUS GOJ OFFICIALS) TO IMPORT EQUIPMENT DUTY FREE TO REPAIR THE DIGESTER BLOWN UP LAST YEAR IN AN ACCIDENT, AND FOR PLANT EXPANSION. HOWEVER, GOJ IS NOW INSISTING ON FULL PAYMENT OF DUTY.

D. THE OLD (BASIC) EXCHANGE RATE HAS CONTINUED TO APPLY TO THE BAUXITE INDUSTRY UNDER THE TWO-TIERED EXCHANGE RATE SYSTEM INTRODUCED EARLIER THIS YEAR (REFTEL). THIS INCLUDES ALL OPERATIONAL ASPECTS WITHIN THE INDUSTRY, E.G. CONVERSION OF U.S. DOLLARS INTO JAMAICAN DOLLARS FOR PAYROLL AS WELL AS FOR IMPORTATION OF EQUIPMENT AND RAW MATERIALS. CROUCH MAINTAINS THIS IS A BREACH OF CONTRACT IN THAT THE 1976 ALCOA/GOJ AGREEMENT PROVIDED THAT ALCOA SHOULD RECEIVE AT ALL TIMES THE SAME TREATMENT AS ALL OTHER BUSINESSES. (COMMENT: THE AGREEMENT'S LANGUAGE DOES NOT RPT NOT APPEAR TO SUPPORT THIS INTERPRETATION.)

E. A MORE GENERAL PROBLEM CROUCH REFERS TO IN CONVERSATIONS WITH THIS EMBASSY AND OTHERS IS ALCOA'S CONFIDENTIAL

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INABILITY TO OBTAIN DECISIONS OR EVER CONSIDERATION FROM KEY JAMAICAN OFFICIALS ON ISSUES AND PROBLEMS OF IMPORTANCE TO ALCOA.

3. COMMENT: CROUCH'S DISPLEASURE WITH THE GOJ IS NOT SHARED TO THE SAME DEGREE BY THE OTHER ALUMINUM COMPANY REPS ALTHOUGH BOTH THE KAISER AND REYNOLDS MANAGERS HAVE INDICATED TO US THEIR UNHAPPINESS OVER THE TWO TIERED EXCHANGE RATE. REYNOLDS AND KAISER APPEAR TO HAVE HAD FEWER ILLUSIONS REGARDING THE ATMOSPHERE THAT WOULD EXIST AFTER THE SIGNING OF THE NEW AGREEMENTS WITH THE GOJ. ALTHOUGH CROUCH HAS MADE NO DIRECT REQUEST FOR OUR INTERVENTION ON BEHALF OF ALCOA'S PROBLEMS, WE WOULD NOT RULE OUT POSSIBILITY THAT SUCH A REQUEST MIGHT BE MADE SOON, POSSIBLY THIS WEEK, WHEN CROUCH AND MEMBERS OF THE ALCOA BOARD WILL BE MEETING WITH DEPARTMENT OFFICIALS AND AMBASSADOR IRVING. IF SUCH A REQUEST IS MADE WE URGE A NON-COMMITTAL REPLY. WE HAVE ALREADY TOLD CROUCH THAT WE

WOULD TRY TO PUT HIM TOGETHER, ON HIS RETURN TO
KINGSTON, WITH MINISTER OF STATE FLETCHER TO DISCUSS
ALCOA'S PROBLEMS.
DORRANCE

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